## UNITED STATES BANKRUPTCY COURT WESTERN DISTRICT OF NEW YORK

In re:

FLOUR CITY BAGELS, LLC<sup>1</sup>,

Case No. 16-20213 (Chapter 11)

Debtor.

## AMENDED EXHIBIT E SUMMARY OF BRUEGGER'S FINANCIAL PERFORMANCE AND DEBTOR'S PROJECTIONS

TO

SECOND AMENDED DISCLOSURE STATEMENT FOR JOINT PLAN OF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED APRIL 12, 2017 PROPOSED BY (A) UNITED CAPITAL BUSINESS LENDING N/K/A BRIDGE FUNDING GROUP, INC., (B) BRUEGGER'S FRANCHISE CORPORATION, BRUEGGER'S ENTERPRISES, INC., LDA MANAGEMENT COMPANY, INC., AND LE DUFF AMERICA, INC. (C) CANAL MEZZANINE PARTNERS II, LP, AND (D) FLOUR CITY BAGELS, LLC

<sup>&</sup>lt;sup>1</sup> The last four digits of the Debtor's federal tax identification number are 9515.

## **BRUEGGER'S BAKERIES – 2015 SALES AND EBITDA**

Average for 174 Company- owned Bakeries	\$727,654
Average for 88 Franchised Bakeries	\$720,721

	See Note	Average Expense Amount per Company- owned Bakery	% of Average Gross Sales
COGS	Note (1)	\$195,141	26.9%
	` '		
Payroll	Note (2)	\$226,429	31.1%
Operating Expenses	Note (3)	\$89,651	12.3%
Marketing	Note (4)	\$21,882	3.0%
Rent, Occupancy	Note (5)	\$84,390	11.6%
EBITDA	Note (6)	\$110,161	15.1%

Financials include 28 go forward stores only.

All numbers begin with projected 2016 as baseline, which includes actual 2016 sales, actual full P&L results for 6 months, and projected full P&L results for the remaining 6 months.

- Sales would lift 10% from the addition of the Merry Chefs, Egg Roundups, and Carter Hoffmans.
   That lift would be seen on mid year convention in years 1 and 2
- 2. Comp store sales would also increase at the same budgeted rates used for the 2017 2019 LRP as follows:

Year 1	1.15%
Year 2	1.85%
Year 3	2.70%
Year 4	2.00%

- 3. Food costs assume a conversion to the frozen dough program and assume COGS would decline to 26.5% over the first 2 years due to cost reduction initiatives and economies in purchase costs from purchasing through the Bruegger's network. Year 3 would see a reduction to 26.2%, consistent with other Bruegger's company owned stores.
- 4. Minimum wages would increase based on the New York state Minimum wage chart as follows:

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2016 $ 9.75
2017 $ 10.75 110.3%
2018 $ 11.75 109.3%
2019 $ 12.75 108.5%
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- 5. Store managers would be eligible for a 3% per year merit increase. This was applied using a breakage rate of 50% for assumed turnover.
- 6. Rent will increase at 2.5% in Year 1 with the renegotiation of leases with the landlord community
- 7. Newco will pay into the Bruegger's National marketing fund at 1.75% of sales. Consistent with other Bruegger's locations, they will also spend as much as 2.2%, which includes local marketing activities.
- 8. Royalties can only be funded by available cash after reserves for working capital and debt service, only after borrowings from BEI related to working capital and Capital Expenditures are repaid, and only after the deferred royalty liability to Breugger's has been satisfied.

- 9. \$350,000 of the deferred royalty owed to BEI will carry forward into Newco as a liability of Newco. Deferred royalties are currently estimated to be \$615k at anticipated purchase closing.
- 10. Deferred maintenance would be split and paid over years 1 and 2
- 11. G&A includes the costs for 3 DMs and 1 DO. The corporate overhead burden is estimated to be similar to the burden that Flour City experiences in their current structure.
- 12. \$245k payment is made to the unsecured creditors over the course of the first 4 years.
- 13. POS equipment is installed and financed by a 5 year capital lease in year 2, bearing interest at 5%.
- 14. BEI loans funds, payable on demand, to Newco to fund working capital and Capital expenditures, bearing interest at 4.25%.
- 15. \$1250 per store (\$35,000) comes forward with the store assets to serve as opening till cash.
- 16. Purchase prices of \$4,450,000 is comprised of a \$2,500,000 note to United and up front cash of \$1,950,000 paid by LDA for the administrative costs associated with the bankruptcy. The note bears interest a 4.25% and is paid in full by the end of year 3.
- 17. The \$1,950,000 initially paid by BEI at closing is considered a loan to Newco, bearing interest at 4.25% and payable, on demand, prior to the disbursement of royalties and matching funds.

No.															
Net Saine Coast of Ground Solid  S					Projected Year 1	% Sales		Projected Year 2	% Sales		Projected Year 3	% Sales		Projected Year 4	% Sales
Case of Gross Scale  S 5 1,131,267 27 7,28					1001 2	70 0 dies		100.2	70 Gailes		10010	70 Gailes		<u></u>	<u> 70 0 a.e.s</u>
S   14,423,662   72,364   72,365   72	Net Sales			\$	19,954,360		\$	21,263,429		\$	21,837,541		\$	22,274,292	
Payroll and Related Expenses   S 6,517,766   32.7%   S 7,430,224   4.5%   S 8,096,004   27.1%   S 8,005,004   S 22.844   11.8%   S 3,112,048   11.2%   S 3,112,048   11.2%   S 3,112,048   11.2%   S 3,112,048   11.2%   S 9,005,004   S 10,000   S 9,005,004   S 10,000   S 10,0	Cost of Goods Sold				5,531,297	27.7%		5,479,296	25.8%			25.5%			25.5%
12 Occupied page	Gross Profit			\$	14,423,063	72.3%	\$	15,784,133	74.2%	\$	16,275,817	74.5%	\$	16,601,333	74.5%
12 Occupied page					6 547 260	22.70/	_	7 420 204	24.00/	_	0.005.004	27.40/	_	0.005.404	40.00/
12   Depreciation & Amontziation	•														40.0% 14.9%
13 Markening & Promotion															14.9%
14. Franchise Fee	1.5													,	2.2%
18 Comporter Expenses	_			-	430,990			407,793			460,420			450,034	0.0%
19. Bash/Merchart Charges					61 099			61 099			61 099			61 099	0.3%
22   Tarkes								,							2.1%
22   Tarses	=										,				1.4%
22   Restaurant Supply	T				-			-						-	0.0%
32 - Sanitation - Cleaning					151.901			151.901			151.901			151.901	0.7%
23 - Professional Fee	23 · Sanitation - Cleaning							,			,				0.5%
78201 - Uncollectible House A/C	24 · Gift Card Fee			\$	9,390	0.0%	\$	10,006	0.0%	\$	10,277	0.0%	\$	10,482	0.0%
Total Expenses  \$ 11,567,225	25 · Professional Fee			\$	-	0.0%	\$	-	0.0%	\$	-	0.0%	\$	-	0.0%
S	78010 · Uncollectible House A/C			\$	-	0.0%	\$	-	0.0%	\$	-	0.0%	\$	-	0.0%
88000 - Interest - United   S	Total Expense			\$	11,567,225	58.0%	\$	12,527,131	58.9%	\$	13,227,700	60.6%	\$	14,056,271	63.1%
Semon   Interest	Net Ordinary Income			\$	2,855,838	14.3%	\$	3,257,002	15.3%	\$	3,048,116	14.0%	\$	2,545,062	11.4%
Semon   Interest				١.									1.		
Section   Sect								,			,				0.0%
S				\$	146,625										0.1%
Field Management Costs				\$											0.1%
Corporate Costs   S	Operating Income			Ş	2,614,364	13.1%	\$	3,043,496	14.3%	Ş	2,940,425	13.5%	Ş	2,512,969	11.3%
Corporate Costs   S	Field Management Costs			¢	516 175	2.6%	¢	520 070	2.5%	¢	542 306	2.5%	¢	555 864	2.5%
North Income	<u> </u>							,			,			,	2.7%
Net Income				¢	331,730			303,344			373,082			334,174	0.0%
Net Income  \$ 1,546,439 7.7% \$ 1,948,874 9.2% \$ 1,818,437 8.3% \$ 1,362,931    \$ 2,016,855 10.1% \$ 2,391,321 11.2% \$ 2,155,070 9.9% \$ 1,623,966      CapEx Needs:	•			¢											0.0%
S	iviatelling rayment to canal			۲	_	0.070	7	_	0.076	۲	_	0.076	٠	_	0.076
CapEx Needs:   2016   Year 1   Year 2   Year 3   Year 4	Net Income			\$	1,546,439	7.7%	\$	1,948,874	9.2%	\$	1,818,437	8.3%	\$	1,362,931	6.1%
CapEx Needs:   2016   Year 1   Year 2   Year 3   Year 4	FRITDA			s	2.016.855	10.1%	s	2.391.321	11.2%	s	2.155.070	9.9%	s	1.623.966	7.3%
Legal and Start Up Costs	25.1.57.			,	2,010,000	2012/0	Ÿ	2,002,022	11.2/0	*	2,233,070	3.370	۲	2,020,500	7.070
Legal and Start Up Costs															
Freezes \$ - \$ 196,000 \$ - \$ - \$ 5 -	CapEx Needs:		2016		Year 1			Year 2			Year 3			Year 4	
Freezes \$ - \$ 196,000 \$ - \$ - \$ 5 -	Land and Charlette Carte	¢		¢	100.000		<u>,</u>			<u> </u>			٠		
Merry Chef/Roundup/Carter Hoff.   S			-					-			-			-	
Deferred Maintenance			-					-			-			-	
New POS Equipment			-					-			-			-	
Deferred Royalty Payment   \$ 265,000   \$							ė	224 000		Ċ	100 000			100 000	
Cash at Purchase   \$ 1,685,000   \$ 1,108,000   \$ 1,108,000   \$ 100,000		Y	-		224,000						100,000		\$	100,000	
TOTAL CapEx		\$	265 000	\$	224,000		\$			\$	100,000		\$ \$	100,000	
Seginning Cash   Segi	Cash at Purchase		,	\$ \$	224,000 - - -		\$ \$			\$ \$	100,000		\$ \$ \$	100,000	
Seginning Cash   Segi		\$	1,685,000	\$ \$ \$	- - -		\$ \$ \$	560,000 - -		\$ \$ \$	- - -		\$ \$ \$ \$	-	
Seginning Cash   Segi		\$	1,685,000	\$ \$ \$	- - -		\$ \$ \$	560,000 - -		\$ \$ \$	- - -		\$ \$ \$ \$	-	
Net Income	TOTAL CapEx	\$	1,685,000 1,950,000	\$ \$ \$	1,108,000		\$ \$ \$	560,000 - - - <b>784,000</b>		\$ \$ \$	100,000		\$ \$ \$ \$	- - - 100,000	
Net Income	TOTAL CapEx	\$	1,685,000 1,950,000	\$ \$ \$	1,108,000		\$ \$ \$	560,000 - - - <b>784,000</b>		\$ \$ \$	100,000		\$ \$ \$ \$	- - - 100,000	
Depreciation and Amortization \$ - \$ 228,942 \$	TOTAL CapEx  Cash Flow:	\$ <b>\$</b>	1,685,000 1,950,000	\$ \$ <b>\$</b>	1,108,000 Year 1		\$ \$ <b>\$</b>	560,000 - - 784,000 Year 2		\$ \$ <b>\$</b>	100,000 Year 3		\$ \$ \$ <b>\$</b>	100,000 Year 4	
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Working Capital and CapEx Loan - BEI         \$ 1,500,000         \$ -	TOTAL CapEx  Cash Flow:  Beginning Cash	\$ <b>\$</b>	1,685,000 1,950,000	\$ \$ \$ <b>\$</b>	1,108,000 Year 1		\$ \$ \$ <b>\$</b>	560,000 - - 784,000 Year 2 612,230		\$ \$ \$ <b>\$</b> \$	100,000 Year 3 548,860		\$ \$ \$ <b>\$</b>	100,000 Year 4 331,177	
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Cash Borrowed from Parent for Purchase \$ 1,950,000 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	Cash Flow:  Beginning Cash  Net Income Depreciation and Amortization CapEx Expenditures Working Capital and CapEx Loan - BEI Proceeds From Loan - United Proceeds from Loan - POS Principal Payment on Debt - United Principal Payment on Debt - BEI Principal Payment - Other Deferred Royalty Payment to BEI Payment to Unsecured Creditors	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,685,000 1,950,000 Year 0 - - - 2,500,000 - - - - -	* * * * * * * * * * * * * * * * * * *	7.1,108,000 Year 1 35,000 1,546,439 228,942 (1,108,000) 1,500,000 - (805,151) (300,000) - (360,000)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	784,000 Year 2 612,230 1,948,874 228,942 (224,000) - - 560,000 (1,146,074) (1,300,000) (101,112)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 3 548,860 1,818,437 228,942 (100,000) - (548,776) (1,450,000) (106,285)		<b>\$</b> \$\$\$\$ <b>\$</b>	100,000 Year 4 331,177 1,362,931 228,942 (100,000) - - (400,000) 111,723	
Net Increase/(Decrease) in Cash \$ 35,000 \$ 577,230 \$ (63,370) \$ (217,683) \$ 1,173,596	Cash Flow:  Beginning Cash  Net Income Depreciation and Amortization CapEx Expenditures  Working Capital and CapEx Loan - BEI Proceeds From Loan - United Proceeds from Loan - POS Principal Payment on Debt - United Principal Payment on Debt - BEI Principal Payment - Other Deferred Royalty Payment to BEI Payment to Unsecured Creditors Petty Cash in Tills	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,685,000 1,950,000 Year 0  2,500,000  35,000	* * * * * * * * * * * * * * * * * * *	7.1,108,000 Year 1 35,000 1,546,439 228,942 (1,108,000) 1,500,000 - (805,151) (300,000) - (360,000)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	784,000 Year 2 612,230 1,948,874 228,942 (224,000) - - 560,000 (1,146,074) (1,300,000) (101,112)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 3 548,860 1,818,437 228,942 (100,000) - (548,776) (1,450,000) (106,285)		<b>\$</b> \$\$\$\$\$\$	100,000 Year 4 331,177 1,362,931 228,942 (100,000) - - (400,000) 111,723	
	Cash Flow:  Beginning Cash  Net Income  Depreciation and Amortization  CapEx Expenditures  Working Capital and CapEx Loan - BEI  Proceeds From Loan - United  Proceeds from Loan - POS  Principal Payment on Debt - United  Principal Payment on Debt - BEI  Principal Payment - Other  Deferred Royalty Payment to BEI  Payment to Unsecured Creditors  Petty Cash in Tills  Cash Due At Purchase	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,685,000 1,950,000 Year 0  2,500,000  35,000 (4,450,000)	* * * * * * * * * * * * * * * * * * *	7.1,108,000 Year 1 35,000 1,546,439 228,942 (1,108,000) 1,500,000 - (805,151) (300,000) - (360,000)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	784,000 Year 2 612,230 1,948,874 228,942 (224,000) - - 560,000 (1,146,074) (1,300,000) (101,112)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 3 548,860 1,818,437 228,942 (100,000) - (548,776) (1,450,000) (106,285)		<b>\$</b> \$\$\$\$\$	100,000 Year 4 331,177 1,362,931 228,942 (100,000) - - (400,000) 111,723	
Ending Cash \$ 35,000 \$ 612,230 \$ 548,860 \$ 331,177 \$ 1,504,773	Cash Flow:  Beginning Cash  Net Income  Depreciation and Amortization  CapEx Expenditures  Working Capital and CapEx Loan - BEI  Proceeds From Loan - United  Proceeds from Loan - POS  Principal Payment on Debt - United  Principal Payment on Debt - BEI  Principal Payment - Other  Deferred Royalty Payment to BEI  Payment to Unsecured Creditors  Petty Cash in Tills  Cash Due At Purchase	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	1,685,000 1,950,000 Year 0  2,500,000  35,000 (4,450,000)	• • • • • • • • • • • • • • • • • • •	7.1,108,000 Year 1 35,000 1,546,439 228,942 (1,108,000) 1,500,000 - (805,151) (300,000) - (360,000)		<b>\$</b> \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	784,000 Year 2 612,230 1,948,874 228,942 (224,000) - - 560,000 (1,146,074) (1,300,000) (101,112)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 3 548,860 1,818,437 228,942 (100,000) - (548,776) (1,450,000) (106,285)		<b>\$</b> \$\$\$\$\$	100,000 Year 4 331,177 1,362,931 228,942 (100,000) - - (400,000) 111,723	
	Cash Flow:  Beginning Cash  Net Income  Depreciation and Amortization  CapEx Expenditures  Working Capital and CapEx Loan - BEI  Proceeds From Loan - United  Proceeds from Loan - POS  Principal Payment on Debt - United  Principal Payment on Debt - BEI  Principal Payment - Other  Deferred Royalty Payment to BEI  Payment to Unsecured Creditors  Petty Cash in Tills  Cash Due At Purchase	<b>\$ \$ \$ \$ \$ \$ \$ \$ \$ \$</b>	1,685,000 1,950,000 1,950,000 - - - 2,500,000 - - - - - - - - - - - - - - - - -	• • • • • • • • • • • • • • • • • • •	7.1,108,000 Year 1 35,000 1,546,439 228,942 (1,108,000) 1,500,000 - (805,151) (300,000) (125,000) - - - - - - - - - - - - -		<b>\$</b> \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 2 612,230 1,948,874 228,942 (224,000) 560,000 (1,146,074) (1,300,000) (101,112) - (30,000)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Year 3 548,860 1,818,437 228,942 (100,000) - (548,776) (1,450,000) (106,285) - (60,000)		<b>\$</b> \$\$\$\$\$	100,000  Year 4  331,177  1,362,931 228,942 (100,000) (400,000) 111,723 - (30,000)	

300,000

300,000

300,000

250,000

300,000

250,000

275,000

300,000

Cash Reserved to fund Working Capital

Cash Reserved to Fund Debt Service